

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-100, SUB 158

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Biennial Determination of Avoided Cost) ORDER ESTABLISHING BIENNIAL
Rates for Electric Utility Purchases from) PROCEEDING, REQUIRING DATA,
Qualifying Facilities – 2018) AND SCHEDULING PUBLIC HEARING

BY THE COMMISSION: These are the 2018 biennial proceedings held by this Commission pursuant to the provisions of Section 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA) and the Federal Energy Regulatory Commission (FERC) regulations implementing those provisions, which delegated to this Commission certain responsibilities for determining each utility's avoided costs with respect to rates for purchases from qualifying cogenerators and small power production facilities. These proceedings are also being held pursuant to G.S. 62-156 which requires this Commission to determine the rates to be paid by electric utilities for power purchased from small power producers as defined in G.S. 62-3(27a).

In order to facilitate the determination of avoided cost rates, the Commission finds good cause to issue this order establishing a schedule for the 2018 biennial determination of such rates in this docket. The Commission further finds that Duke Energy Carolinas, LLC (DEC), Duke Energy Progress, LLC (DEP), Virginia Electric and Power Company d/b/a Dominion Energy North Carolina (Dominion), Western Carolina University (WCU), and Appalachian State University, d/b/a, New River Light and Power Company (New River) should be made parties to these proceedings.

In Ordering Paragraph No. 16 of its October 11, 2017 Order issued in Docket No. E-100, Sub 148 (the 2016 biennial avoided cost proceedings), the Commission directed DEC, DEP, and Dominion to address the following issues in their initial filings in this proceeding, consistent with the discussion and conclusions reached in that Order: (1) a continued evaluation of capacity benefits of QF generation, (2) whether the utilization of a 2.0 PAF as approved in the Hydro Stipulation should continue as provided in that agreement, (3) the effect of distributed generation on power flows on each utility's distribution system and the extent of power backflows at substations, (4) hourly CT operational data and marginal cost data on a season-specific basis, and (5) consideration of a rate design that considers factors relevant to the characteristics of QF-supplied power that is intermittent and non-dispatchable. With regard to a rate design that considers the characteristics of the power supplied by the QF, and consistent with the testimony of the parties' witnesses in the 2016 biennial avoided cost proceedings, the Commission expects DEC, DEP, and Dominion to file proposed rate schedules that reflect each utility's highest production cost hours, as well as summer and non-summer periods, with more

granularity than the current Option A and Option B rate schedules. Further, in its discussion of the other issues addressed by the witnesses in the 2016 biennial avoided cost proceedings, the Commission determined that a number of issues merit further consideration in this proceeding. Therefore, the Commission will require DEC, DEP, and Dominion to address those issues as directed in Ordering Paragraph No. 16 of the Commission's October 11, 2017 Order in Docket No. E-100, Sub 148, through their respective filings in this proceeding. In addition, the Commission invites all parties to address those issues which the Commission determined in its October 11, 2017 Order in Docket No. E-100, Sub 148, merit further discussion, but were not specifically mentioned in Ordering Paragraph No. 16.

The Commission has determined that it will attempt to resolve all issues arising in this docket based on a record developed through public witness testimony, statements, exhibits and avoided cost schedules verified by persons who would otherwise be qualified to present expert testimony in a formal hearing, and written comments on the statements, exhibits and schedules, rather than a full evidentiary hearing for the purpose of receiving expert testimony. The Commission believes this procedure is appropriate given the recurring nature of the issues and decisions which have traditionally arisen in these proceedings.

IT IS, THEREFORE, ORDERED as follows:

1. That DEC, DEP, Dominion, WCU, and New River are hereby made parties to these proceedings;
2. That DEC, DEP, Dominion, WCU, and New River shall file the statements and exhibits specified in decretal paragraph 3 below on or before Thursday, November 1, 2018;
3. That DEC, DEP, Dominion, WCU, and New River's filings shall include the following:
 - a. A set of proposed rates for purchases from qualifying facilities, showing all calculations for deriving said proposed rates, including inflation rates and discount rates used,
 - b. Proposed standard form(s) of contract between qualifying facilities and the utility, describing any differences between said proposed standard form(s) of contract and the currently approved standard contract, including the reasons for such differences; and
 - c. Statements and exhibits addressing those issues listed in Ordering Paragraph No. 16 of the Commission's October 11, 2017 Order issued in Docket No. E-100, Sub 148.

4. That other persons desiring to become formal parties to this proceeding may petition the Commission for leave to intervene on or before Monday, January 7, 2019;

5. That all parties, other than the five electric utilities herein, shall file with the Commission the comments and exhibits that they wish to present in this proceeding on or before Monday, January 7, 2019;

6. That all parties may file reply comments on or before Friday, February 15, 2019;

7. That all parties may file proposed orders on or before Friday, March 8, 2019;

8. That a public hearing solely for the purpose of taking nonexpert public witness testimony is hereby scheduled to begin on Tuesday, February 19, 2019, at 9:30 a.m., in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina; and

9. That DEC, DEP, Dominion, WCU, and New River shall publish, at their own expense, in newspapers having general circulation in their respective North Carolina service areas, the "Notice of Public Hearing" attached hereto as Appendix A once a week for two successive weeks, beginning with the week of December 3, 2018, and shall submit Affidavits of Publication to the Commission no later than the date of the hearing.

ISSUED BY ORDER OF THE COMMISSION.

This the 26th day of June, 2018.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "Linnetta Threatt", with a long horizontal flourish extending to the right.

Linnetta Threatt, Deputy Clerk

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-100, SUB 158

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Biennial Determination of Avoided Cost)
Rates for Electric Utility Purchases from) NOTICE OF PUBLIC HEARING
Qualifying Facilities – 2018)

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission (Commission) has scheduled a public hearing in this docket which will commence on Tuesday, February 19, 2019, at 9:30 a.m., in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina, for the purpose of taking nonexpert public witness testimony as a part of its 2018 biennial determination of avoided cost rates for purchases of electricity by the electric utilities who are parties to this docket from qualifying cogeneration and small power production facilities. The electric utilities who are parties to this docket are Duke Energy Carolinas, LLC (DEC), Duke Energy Progress, LLC (DEP), Virginia Electric and Power Company d/b/a Dominion Energy North Carolina (Dominion), Western Carolina University (WCU), and Appalachian State University, d/b/a, New River Light and Power Company (New River).

The Public Utility Regulatory Policies Act of 1978 (PURPA) requires electric utilities to offer to purchase electric energy from cogeneration and small power production facilities which obtain qualifying facility status under PURPA. The rates for such purchases shall be set by the state regulatory authority, shall be just and reasonable to the ratepayers of the electric utility and in the public interest, shall not discriminate against qualifying cogenerators or qualifying small power producers, and shall not exceed the incremental cost to the electric utility of acquiring alternative electric energy. As a part of its responsibility in these matters, the Commission determines on a biennial basis the avoided cost rates and conditions for the purchase of electricity by electric utilities from qualifying cogeneration and small power production facilities in North Carolina.

In addition to the requirements of PURPA, G.S. 62-156 requires the Commission to determine the rates and contract terms to be observed by electric utilities in purchasing power from small power producers as defined in G.S. 62-3(27a). The rates established pursuant to G.S. 62-156 shall not exceed, over the term of the purchase power contract, the incremental cost to the electric utility of the electric energy which, but for the purchase from a small power producer, the utility would generate or purchase from another source.

The purpose of the hearing cited in this Notice is to consider revision of the avoided cost rates and contract terms previously set by the Commission for the purchase of electricity by the electric utilities who are parties to this proceeding from qualifying cogeneration and small power production facilities in North Carolina.

The Public Staff is required by statute to represent the using and consuming public in proceedings before the Commission. Written statements to the Public Staff should include any information which the writer wishes to be considered by the Public Staff in its investigation of the matter, and such statements should be addressed to Mr. Christopher J. Ayers, Executive Director, Public Staff — North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4300.

The Attorney General is also authorized by statute to represent consumers in proceedings before the Commission. Statements to the Attorney General should be addressed to The Honorable Josh Stein, Attorney General of North Carolina, c/o Utilities Section, 9001 Mail Service Center, Raleigh, North Carolina 27699-9001.

Written statements are not evidence unless those persons submitting such statements appear at a public hearing and testify concerning the information contained in their written statements.

Any person desiring to intervene in the matter as a formal party of record should file a motion under Commission Rules R1-5 and R1-19 no later than Monday, January 7, 2019. All such motions should be filed with the Chief Clerk of the North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325. The comments and exhibits to be presented in this proceeding by formal parties other than DEC, DEP, Dominion, WCU, and New River must be filed with the Commission no later than Monday, January 7, 2019.

ISSUED BY ORDER OF THE COMMISSION.

This the 26th day of June, 2018.

NORTH CAROLINA UTILITIES COMMISSION



Linnetta Threatt, Deputy Clerk

NOTE TO PRINTER: Cost of Advertising will be paid by the Applicant. It is required that an Affidavit of Publication be submitted to the Commission by the Applicant.